

California Dairy Review

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**Watch for Upcoming
Hearing Results on
June 28, and July 2, 2001
CDFA Hearings**

California Energy Grants Available to Dairy Producers

The California Energy Commission is offering \$75 million in financial incentives to the agricultural industry for new energy-saving efforts. There are four basic categories of projects eligible for grants under this Program:

- 1) High efficiency electrical equipment/other overall electricity conservation efforts
- 2) Pump efficiency testing and retrofit/repair
- 3) Advanced metering and telemetry
- 4) Retrofit of natural-gas powered equipment to alternative fuels

Some simplified examples of projects suitable for a dairy farmer that would be eligible for grant monies: 1) testing and repairs on water wells; 2) energy efficient lighting; 3) installation of low-speed, high volume fans; 4) Irrigation systems and pump repairs; 5) energy efficient motors and compressors; and 6) variable frequency drives and vacuum systems in parlors.

Applications are available by phone at (866) 297-3029 or on the website. Website: www.energy.ca.gov/ag/index.html (Keep tracking the website for additional changes to the program and updated information on the application process.) For additional information, contact Peter Canessa at (866) 297-3029, email at pcanessa@csufresno.edu, or by fax at (559) 278-6033. ☀

Energy In the News . . .

The following are examples of energy saving innovations as published by the University of California Cooperative Extension - San Bernardino County, in their "Southern California Dairy Talk" newsletter.

Biomass Utilization to Energy - The dairy and swine industries have for a long time been interested and some have even practiced manure biodigestion for energy. The lumber and furniture industries have also made interesting advances in the use of their refuse (wood chips, tree barks, and agricultural residues) for heating residential and office complex heating. At the "Biomass Utilization to Energy Conference" held June 28-29, 2001, in Yreka, CA, many reports were made about several residents and institutions

See **Energy In the News** on Page 5

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Retail Price Information Line: (888) 930-MILK; retail website: www.cdffa.ca.gov/dairy/CMPS
Phone: (916) 654-1456; Homepage Address: www.cdffa.ca.gov/dairy/; e-mail Address: dairy@cdffa.ca.gov

June Milk Production

Milk production in California for June 2001 totaled 2.78 billion pounds, up 4.2 percent from June 2000. USDA's estimate for U.S. milk production June 2001 in the 20 major dairy states is 12.0 billion pounds, down 0.5 percent from June 2000. Production per cow in the 20 major states averaged 1,552 pounds for June, which is 5 pounds above June 2000. ☀

June Quota Transfer Summary

For June 2001, 6 dairy producers transferred 3,938.70 pounds of solids-not-fat (SNF) quota. The quota sales averaged \$425 per pound of SNF (without cows), with an average ratio of 2.46. These transfers were effective July 1, 2001. This compares to 7 quota transfers averaging \$405 per pound of SNF (without cows), with an average ratio of 2.34 for June 2000. (July quota transfer figures will be available in the next issue) ☀

Minimum Class Prices

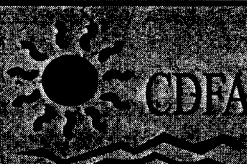
Statewide average hundredweight prices

Class	June 2001	July 2001	August 2001
1	\$16.72	\$17.07	\$17.10
2	\$15.23	\$15.23	\$15.45
3	\$15.18	\$15.18	\$15.40
4a	\$15.14	\$14.38	—
4b	\$14.82	\$14.96	—

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	July 2001	August 2001
Phoenix, Arizona	\$17.69	\$17.75
Southern California	\$17.29	\$17.32
Portland, Oregon	\$17.24	\$17.30
Northern California	\$17.01	\$17.05



CDEA
California Department of Food and Agriculture

William (Bill) Lyons, Jr. Secretary
Robert (Bob) Lyons, Under Secretary
Dennis (Dewey) Lyons, Secretary
John (Jack) Lyons, Deputy Secretary
Vanessa Arellano, Assistant Secretary

The California Department of Food and Agriculture, Dairy Marketing Branch publishes the California Dairy Review monthly. To subscribe, call (916) 661-1156. Please direct any comments or suggestions for future newsletters to Karen Dapper at (916) 661-1156 or e-mail to kdapper@cdfa.ca.gov.

California Alfalfa Hay: July Summary

Northern California: Premium and Supreme alfalfa trading was fully steady with good demand, however supplies are very limited. Fair to Good alfalfa was fully steady with good inquiry and demand with buyers resisting higher price offerings. Most production now is on this quality range as producers finish up the 4th cutting or are starting on the 5th cutting. Retail and Stable hay was steady to firm, demand remains good, and several producers are putting hay in barns for winter take out. The export market for alfalfa has been slow with most interest in Sudan hay, however, quality and price have been disappointing.

Southern California: This month showed no test on Premium and Supreme alfalfa. Fair to Good alfalfa has been fully steady with moderate demand as buyers are holding back at higher pricing levels. Retail and Stable hay has been steady and firm on prices with some producers stacking hay in barns for winter take out, particularly in the high desert areas. Exporters were mostly interested in Sudan hay, however quality and prices have been varied. June showed light interest in Bermuda and Cline hays. ☀

Shown below are alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.

Alfalfa Hay Sales and Delivery June & July, 2001

	June 2001	July 2001
Tons Sold ¹	318,972	323,613
Tons Delivered ²	135,182	128,969

¹ For current or future delivery.

² Contracted or current sales.

California Supreme Hay Prices

Statewide average hundredweight prices

Area	July 2001 Prices			
	7/6	7/13	7/20	7/27
Petaluma	\$155-184	\$170-175	\$170-175	—
North Valley ¹	\$168-178	\$160-170	\$177	\$162-172
South Valley ²	\$158-173	\$164-173	\$155-185	\$158-173
Chino Valley	—	—	—	—

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary by calling (509) 765-3611. Weekly reports are available on the Internet at:

<http://www.ams.usda.gov/marketnews.htm>

June Acreage Report Will Probably Not Dampen Bullish Hay Market

By Seth Hoyt, California Agricultural Statistics Service

The NASS (National Agricultural Statistics Service) June acreage report showed that alfalfa hay acreage in the seven western states on June 1, 2001, at 4,100,000 acres, up 2 percent from June 1, 2000. However, this is somewhat misleading.

If Oregon is not included, the alfalfa acreage in the other six states was unchanged from last year, with California and Idaho acreage both down 10,000 each from a year ago. Surprisingly, Oregon's alfalfa and mixed alfalfa acres were estimated to be 70,000 above 2000, reportedly from additional plantings in the central and northern part of the state. However, in southern Oregon, partly due to the situation in the Klamath Basin, it appears alfalfa acreage is down from last year. Historically, the alfalfa hay that ships into California from Oregon is mainly from the southern part of the state. The farther north you go the higher the freight cost to California and the increased competition from Washington export hay buyers. Consequently, the higher alfalfa hay acres in Oregon may not be as bearish to the California and Western States alfalfa hay market as it first appears.

For hay growers, the positive aspect of the June acreage report was that alfalfa hay acreage in the two leading alfalfa producing states in the West, California and Idaho, was down. With depressed grain and potato prices during the second half of 2000, many industry members anticipated an increase in alfalfa hay acres in the two previously mentioned states and possibly a fairly strong increase in the seven western states. It did not develop. Many people, including myself, did not anticipate the magnitude of the power shortage in California and the West and the demand for water to generate energy. A significant amount of water was sold by growers, particularly in Idaho and Washington. In late July, 2001, some growers in Nevada and Idaho were being forced to reduce water use and in some cases water was cut off due to tight supplies caused by drought. In California, water from the Sacramento Valley was sold to an Irrigation District in central California for mainly permanent crops. Additionally, with the outlook last fall for decent returns on cotton in 2001, it appears there was less cotton acreage converted to alfalfa in central California in the fall of 2000. That could be a different story in the fall of 2001. The current cotton market is at the lowest level in nearly 20 years.

The alfalfa hay market in late July, 2001 continues to be very strong in California and the West. Premium and Supreme alfalfa hay in central and northern California ranged from \$130-160 per ton, fob. In Idaho and Nevada, top alfalfa hay was trading from \$120-\$145 per ton, fob.

Other factors causing the bullish hay market in California: Hay stocks in the seven western states on May 1, 2001, at 1,226,000 tons, were at the lowest level since 1997. California hay stocks at 180,000 tons, were down 53 percent from last year. Alfalfa hay trucked into California from January to May, 2001, totaled 266,600 tons, down 9 percent from the same period last year. This is the third consecutive year of a downtrend on alfalfa hay shipped into California from other states. While shipments from two of the major export states, Nevada and Utah were down 26 and 24 percent respectively, Oregon shipments were up more than double from a year ago.

Another factor for the strong hay demand in the West is the growth in the dairy industries in California and Idaho. California milk cow numbers on July 1, 2001, at 1,590,000 head were up 65,000 head from last July and 585,000 head or 58 percent above 1985. This does not include the rapid expansion in milk replacement heifer numbers the last few years. Idaho's milk cow numbers grew by 7 percent in 2000 and at 354,000 head, are double the number from 1992. The only other state with a greater percentage growth in milk cows since 1992 is New Mexico.

Unless there are unforeseen developments, the alfalfa hay market in California and the West should remain strong the remainder of 2001 and into early 2002. Supplies are especially tight on high test, milk cow quality alfalfa hay. However, with cotton and many other field crop commodities currently experiencing depressed markets, it is very likely that alfalfa hay acreage in California will be up in 2002. If this occurs, alfalfa hay prices would probably soften. One of the keys to increased alfalfa hay acres will

be the cost and availability of water. In the past few years in central and northern California we've seen a trend of more acres planted to permanent crops (tree crops, grapes, etc.) that use less water. This has displaced alfalfa hay acres in some areas.

In order to service the large and growing dairy industry in California and the West, it appears that alfalfa hay acres must move higher to meet the increased demand. The question is: at what level will acreage begin to reverse the current bullish hay market?

Want to know more about Johne's Disease? Help Is On the Way

By Dr. Thomazin

Voluntary Johne's disease control programs for beef and dairy cattle in California will be available for producers this fall. Concerned producers are working with university scientists and animal health officials to design a control program that will meet California's unique needs.

Johne's disease is caused by *Mycobacterium paratuberculosis*, a bacterium that infects the intestinal tract of cattle and other ruminants. The disease takes a long time to develop and may eventually cause the death of an affected animal. Affected cattle exhibit chronic diarrhea and continually lose weight despite having good appetites. Further, milk production is decreased in affected cows. A 1996 study reported that approximately 25% of the dairies in the western region of the United States are infected with Johne's disease. It is estimated that Johne's disease costs the U.S. dairy industry \$200-250 million per year. In addition, there is significant concern that the bacterium that causes Johne's disease may cause a chronic bowel condition in humans known as Crohn's disease. The link between the two diseases is still in question.

The California Johne's Disease Advisory Committee was formed in 1999 according to guidelines developed by the National Johne's Disease Working Group associated with the United States Animal Health Association. The purpose of this Committee was to provide a forum for California cattle producers and animal health officials, in conjunction with members of academia, to develop sensible control strategies for the disease in California cattle herds if they had a concern. As a result, the Committee initiated the California Voluntary Johne's Disease Control Program (CVJDCP) to include the following: 1) education of producers and practicing veterinarians; 2) management practices to control Johne's disease; and 3) strategies to establish the status of Johne's disease in herds and remove affected animals.

A pilot version of the program will offer the first two phases of the program this fall, the education and management components, followed by the testing component. Certification will be available for each component and the programs will be designed and offered to meet the specific needs of individual beef or dairy producers. Look for announcements advertising the first opportunities to participate in the education classes this fall. Trade magazines, University of California cooperative extension newsletters, dairy and beef organizations and others will be asked to carry information about the programs.

Producer News

The following are tidbits of information from producers around the state:

- ◆ Producers in Merced County are seeing the first cutting and processing of corn silage (seen as early as July 15th). Last winter's weather permitted early planting.
- ◆ Caution: South Valley dairies have experienced three sizable hay fires already this year, one the result of a feed truck fire, the others the result of spontaneous combustion.
- ◆ Many dairies are incorporating more dry hay in their dairy rations. It makes lower quality hay more palatable, gets additional fiber into the cows, and chopped hay is easier to handle.
- ◆ Just an FYI: Department of Water Resources reports that this year's budget includes funding for additional field personnel, so watch for inspectors in the field to have trainees with them as part of this new funding.

Energy In the News - from Page 1

that use wood chips for all of their heating needs. In Vermont, 25 schools, four state office complexes, 25 percent of residential households, two power plants, and three industrial complexes are being heated by wood chips and/or residues of wood and wood products.

CHIPTEC INC. - A 16-yr. old Vermont company sells advanced wood (bio-fuel), gasification systems in North America. They offer various size gasifiers for heating and to drive turbines for electric power generation. They have business and technical relationships with associates in the Baltic States, and licensees in Eastern and Western Europe. Wood chips or other refuse from wood products are super heated to about 2500° F and used as a source of energy. For details, one may refer to their web site, chiptec.com. Researchers at Northwest Missouri State University are working on pelletizing manure fibers and using the pellets for energy. Shasta college is using wood chips for some of its energy needs.

Community Power Corporation (CPC) is involved in renewable energy technology application projects in 15 countries. CPC uses wood chips to generate heat and electricity power in many Third World Countries. CPC's unit can utilize various other agricultural residues, in addition to wood chips for power generation. At this time, CPC is concentrating on producing small modular 15 KWH engines to power 3-4 households. After July 14, CPC will have a unit powering a large green house on a Hoopa Indian reservation in Eureka, CA. CPC has funding from government and private agencies including Shell, California Energy Commission and the US/DOE's National Renewable Energy Laboratory. CPC's unit is small enough to fit on a small trailer, can be moved to wherever it is needed by any pickup, and is computerized and fully automatic.

BIODIGESTER TECHNOLOGY - Inland Empire Utilities Agency (IEUA) received \$11.6 million in grants for installing bio-digestors. The digestors will be used for the collection and processing of dairy manure to produce biogas for the generation of electricity. The system is much like the AgStar program that was promoted by USEPA/USDA during the early to mid-1990's. The successful operation of this digester will reduce odor, dust, and manure piles that have been a source of complaints from non-farming citizens in the Chino dairies. A similar project is under construction by Portland General Electric, an Oregon utility company. The company is building a 100 KWH digester on a western Oregon dairy. Dairy manure will be digested to generate biogas (mostly methane) which will be used to generate electricity for about 12 homes. The cost of installing the digester, its operation, maintenance and management will be paid by the utility company. ☀

Department Announces Hearing Decision

On May 31, 2001, the Department held a public hearing to consider amendments to the Class 1, 2, 3, 4a, and 4b pricing formulas. At that hearing, testimony and evidence was introduced into the record regarding proposals to make various modifications to all five formulas. Additional testimony was submitted in the form of briefs during a ten-day period following the close of the hearing. The hearing was called to address proposals generated in response to alleged increases in the combined costs of natural gas and electricity. These were augmented by an alternative proposal offered to address alleged competitive disadvantages to California processors caused by the current structure.

The Record reflects that, comparing the March 2001 costs to the 1998-99 base period, combined costs increased across all plants. The impacts of these increases are well documented in the Record and are not disputed. However, the increases in natural gas prices cover only a brief period of time. While there is an abundance of data to indicate energy costs are high, prices for natural gas were already in significant decline by the time of the hearing on May 31, 2001. New electricity generating plants are scheduled to come on line this summer to help meet demand, and the State is making grants available to make agricultural production and processing facilities more energy efficient or to help reduce peak load usage.

For these reasons, the Department has concluded that it is more prudent to wait until a clearer picture emerges concerning long-term energy costs and the effects of conservation efforts. The Department would reconsider these proposals after data for the full year is available to consider, if proponents still wish to pursue these proposals at that time. In addition, the Department decided to consider possible adjustments to Class 1 price levels during the next regular review process, rather than as a result of this hearing which primarily focused on energy-related issues. A copy of the Department's Statement of Determinations for this hearing can be obtained by contacting the Dairy Marketing Branch, 1220 N Street, Sacramento, CA 95814 or by downloading from www.cdffa.ca.gov/dairy. ☀

Hundredweight Pool Prices

Month	Quota	Overbase
January '00	\$11.75	\$10.05
February	\$11.65	\$ 9.95
March	\$11.73	\$10.03
April	\$12.06	\$10.36
May	\$12.24	\$10.54
June	\$12.78	\$11.08
July	\$13.00	\$11.30
August	\$13.02	\$11.32
September	\$13.31	\$11.61
October	\$12.29	\$10.59
November	\$12.69	\$10.99
December	\$12.98	\$11.28
January '01	\$12.73	\$11.03
February	\$13.04	\$11.34
March	\$13.88	\$12.18
April	\$14.65	\$12.95
May	\$15.70	\$14.00
June	\$16.46	\$14.76

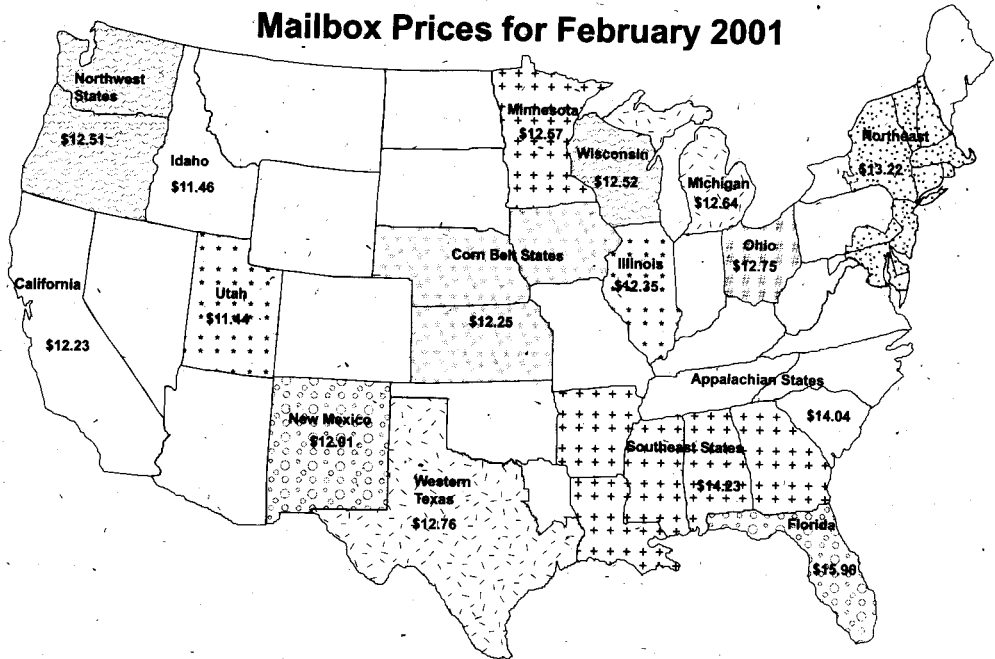
2000-2001 Mailbox Prices in Dollars per Hundredweight

	November	December	January	February	March	April
California ¹	\$12.13	\$12.34	\$12.01	\$12.23	\$12.95	\$13.71
USDA ²	\$12.40	\$12.92	\$12.96	\$12.91	-----	-----

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.

Mailbox Prices for February 2001



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